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DIRECTORATE OF
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Central Intelligence Bulletin

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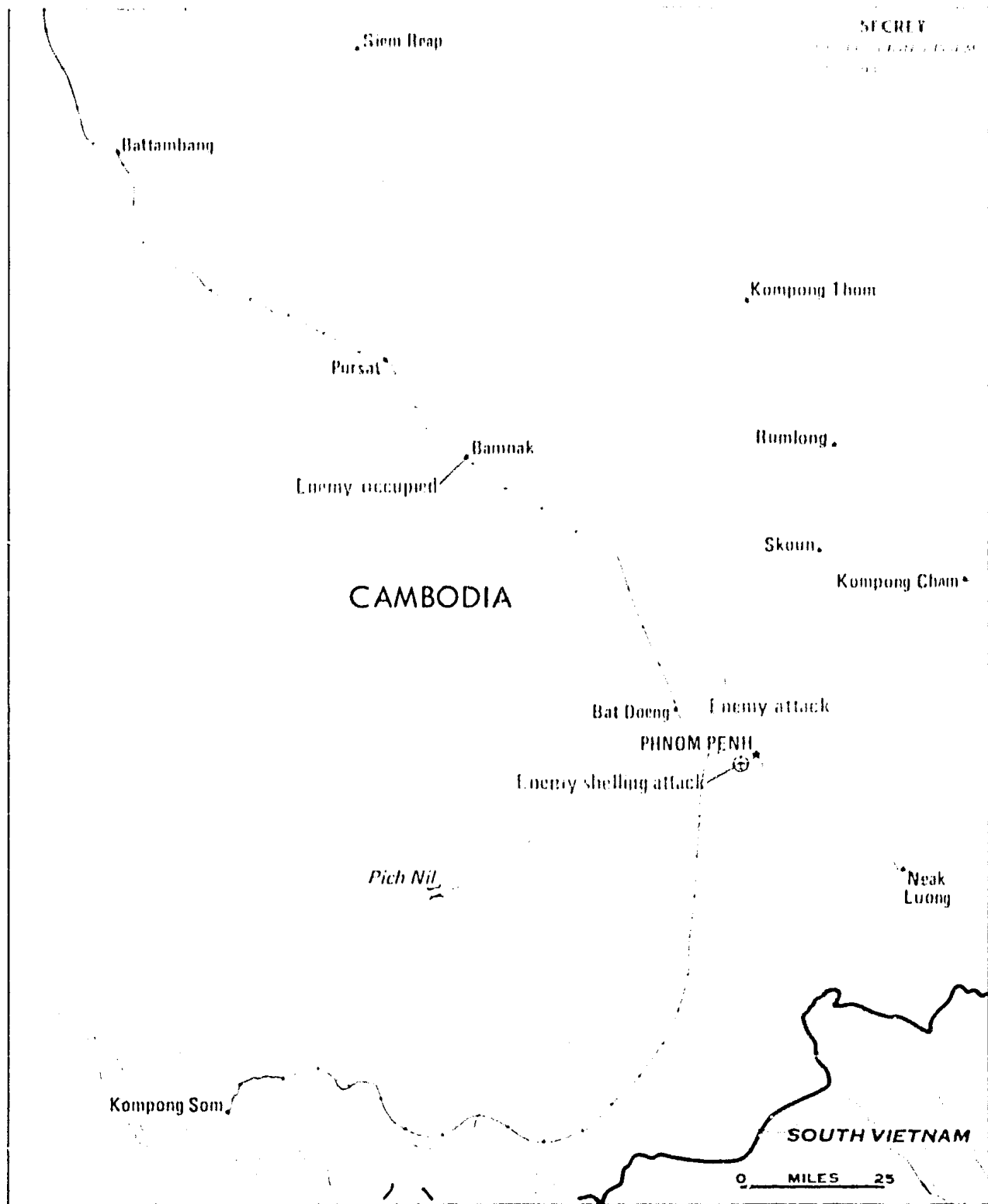
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CAMBODIA: The Communists are increasing the tempo of military activity.

They hit Pochentong airfield near Phnom Penh early this morning with a 50-round barrage of mortar, recoilless rifle, and rocket fire, the first direct attack on the airfield since last March. Damage and casualties apparently were light and no ground attacks have been reported. The attack is the first in the Phnom Penh area since late September, when enemy sappers caused extensive damage to several oil storage facilities within the city.

The Communists have also been increasing their activity northwest of the capital. Enemy elements on 7 November attacked two government battalions located about ten miles from the capital near the rail line town of Bat Doeng and have occupied the village of Bannak farther north along the rail line following two days of sharp fighting.

A relief force from Pursat attempting to retake Bannak was also ambushed. Government losses in these actions were 36 killed and 100 wounded. This pressure may be the work of Phuoc Long Front elements that recently moved into this area from the south.

In the Route 6 area, meanwhile, the government has not yet secured Rumlong village, where heavy fighting continues into the third week. The Communists are maintaining pressure on government units throughout the Rumlong area but may be rotating their forces. The continued hard fighting along Route 6 is beginning to exact a psychological toll in Phnom Penh, where the optimism of Cambodian military leaders has given way to excessive pessimism. Prime Minister Lon Nol is scheduled to meet with his field commanders today to discuss what to do next. (SECRET NO FOREIGN DISSEM)

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PHILIPPINES: The strong showing of the opposition Liberal Party in early election returns reflects deep urban dissatisfaction with the Marcos administration.

The Liberals have run even stronger than anticipated in urban areas and are now ahead in seven of the eight contested senate seats. Much of the vote has yet to be counted, however, most of it in rural areas where the Nationalist Party is strong and where there is considerable opportunity for government vote manipulation. Nationalist politicians have already admitted publicly that the government will be fortunate to win four or five senate seats.

Exhilarated by their strong showing, the Liberals may be disposed to make shrill cries of fraud if their lead diminishes significantly as the rural vote is counted. The voting itself appears to have been conducted with reasonable honesty, although the level of violence has been high even by Philippine standards.

Marcos' Nationalists appear to be doing well in the gubernatorial contests, but the senatorial race has received the most attention and has been widely interpreted as a test of Marcos' standing in the country. Marcos appears to be reacting calmly to the early vote but, whatever the final tally, it appears that the President will not get as strong a mandate as he had hoped for. (CONFIDENTIAL)

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NATIONALIST CHINA: Taipei is planning changes in central government bodies as a gesture, particularly toward the Taiwanese majority.

Spurred by their defeat in the United Nations, high-level Nationalists last week publicly suggested enlargement of the legislature and national assembly through popular election--changes which apparently have been under consideration for several months. Another official stated privately that a parallel rejuvenation of the administration is being considered. These changes, however, would not curtail the power of the Mainlander-dominated establishment.

The press has been demanding an extensive overhaul of the government during the past two months, but sentiment for parliamentary reforms has existed for many years. It has reflected public dissatisfaction with bodies which were elected over 20 years ago and have become increasingly unrepresentative and depleted by death.

There is a wide gap between those who hope for significant change and officials who intend to preserve the status quo while merely granting cosmetic reforms.

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The Nationalists, however, apparently feel some palliatives are necessary to forestall domestic criticism which they believe could develop into outright dissidence. These actions will come as a welcome relief to those Taiwanese and Mainlanders who feared widespread repression in the wake of Taipei's international reverses. (CONFIDENTIAL)

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EC-EFTA: The EC Council has approved negotiations on an industrial free trade agreement with those EFTA countries not seeking EC membership.

The directive involves Austria, Switzerland, Sweden, Portugal, Iceland, and Finland. It calls for the elimination of tariffs and other trade restrictions on industrial goods during a five-year period ending 1 January 1978. The EC Commission is authorized to negotiate special limitations on exports to the EC of a few EFTA products, such as watches, paper, and pulp, on which the EC does not desire all-out competition. The Commission is also directed to explore preferential arrangements for EC agricultural exports, but the US mission doubts that the EFTA countries will be receptive to this.

The Council also asked the Commission to draft a formal reply to the recent US demarche opposing any arrangement that would hinder US trade and reserving US rights to seek compensation.

Official Commission reaction already has been harshly negative as has press reaction throughout Europe. The neutrals have been particularly critical. The Swiss trade director said that since the overwhelming bulk of his country's trade was with the EC, he could foresee no damage to US trade interests. He added that the US intervention had created a "new situation" in US-Swiss relations. Austrian Chancellor Kreisky, meanwhile, has been quoted in the press that the US "torpedo was incomprehensible" in light of the effect the lack of an agreement with the EC would have in weakening the "neutral and democratic states of Europe" and in "pushing them into a further outsider's position vis-a-vis the EC." (CONFIDENTIAL NO FOREIGN DISSEM)

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NOTES

AFRICA - MIDDLE EAST: The four African heads of government, who held separate talks with Israeli and Egyptian leaders last week, are scheduled to hold further discussions in Cairo and Jerusalem later this month. The Africans were well received by Israeli leaders, who hope that as a result some of them may be more favorably disposed to the Israeli case. Despite initial misgivings in official Egyptian circles, the authoritative al Ahram reported yesterday that Cairo was somewhat more optimistic about the role the mission might play in trying to break the Middle East deadlock. The Egyptians, who have postponed UN General Assembly debate on the Middle East until after the Africans complete their second round of talks, will probably seek the support of the full OAU Committee of Ten "Wise Men" on the Middle East scheduled to meet in Dakar this week. (CONFIDENTIAL)

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AUSTRIA: Socialist Chancellor Kreisky, in his program to the new parliament on 5 November, placed heavy emphasis on domestic improvements including more housing, structural reform of the economy, and environmental protection. Because of inflation which could prove politically damaging, Kreisky rejected an early reduction in taxes and urged better price-control legislation. Aside from reiterating Austria's desire for an early convocation of a Conference on European Security, the chancellor devoted little attention to foreign and defense policies. Over-all, the proposals are uncontroversial and presage a tranquil political scene and protracted stability for Kreisky's government. (CONFIDENTIAL)

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HAITI: The departure of Haiti's first lady, Madame Simone Ovide Duvalier, on her first trip abroad is bound to have a somewhat unsettling effect upon the local political scene in which she has played a key role during her son's first six months as President. Her official send-off at the airport on 8 November sought to give the impression that the trip is nothing out of the ordinary, but speculation that she is ill and seeking medical care or that the Duvalier grip on government has been broken is to be expected. There is no evidence of serious disaffection within the inner circle of government and an attempt against it would presumably be met by concerted resistance. As to a threat to Duvalier pre-eminence in the government, Madame Duvalier's protective attitude toward the young President makes it very unlikely that she would leave the country were she aware of danger to him. (CONFIDENTIAL)

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